CLIENT CASE STUDY

MULTI-MANAGER SOLUTION

Russell Investments

The client

One of the largest brands in the world, focused on consumer technology. More than 120,000 employees participate in the company's U.S. 401(k) plan.

The challenge

The client's active core menu was historically comprised of single-manager options, but they realized they had outgrown that structure. They were concerned about the volatility of single manager portfolios and the adverse impact those funds have on participant outcomes. Through education with the committee, they understood that multi-manager, multi-style investing is not a new idea. It's the way institutional investors, such as defined benefit (DB) plans, have been investing for decades. DB plans would never invest all their assets with one underlying investment manager – especially across asset classes, but not even within asset classes. This client wanted an asset manager capable of building and managing multi-manager portfolios. But they were wary of the potential higher cost of a multi-manager approach, so they were also looking for a partner capable of constructing institutionally priced portfolios.

The solution

Russell Investments was selected as the manager for their active equity funds spanning geographies, cap sizes and styles, with total AUM of approximately $4.2 billion.

Selection was based on four key factors:

1. Enhanced portfolio efficiency

- Daily-risk oversight, supported by a proprietary multi-asset portfolio management system, to ensure the structures are suitable for participants.
- Centralized trading and portfolio management, to eliminate the friction associated with buying a security when another manager is selling.
- Diversification at the security level and with manager-specific risk.
- Designed to improve the probability of excess returns, while providing a smoother ride to help participants stick to their long-term goals.

4 Key selection factors

1. Enhanced portfolio efficiency
2. Reduced fees
3. Operational efficiency
4. Customized portfolios

2. Reduced fees

- Leveraging the negotiating power from Russell Investments managing more than $300 billion in assets
- Proprietary implementation efficiencies

3. Operational efficiency

- Directing all manager changes, including fee negotiation and contracting within a multi-manager portfolio
- Transition management provided by a seasoned Russell Investments team that transitioned over $210 billion in portfolios in 2024, with all events meeting or exceeding expectations and deadlines
- Eliminated lengthy participant communication processes
- Reduce demand on staff's time

4. Customized portfolios

- Portfolios designed, constructed, and managed to meet client-specific objectives and guidelines

The results: Higher risk-adjusted returns at lower cost

The proposed Active Large Cap Growth fund, used as an example here, shows measurably higher returns over one-year rolling periods and annualized ten-years. The fund also reduces risk and volatility. And the fund delivers these improvements with a 48% cost reduction, when compared to the plan's current active growth fund.

- **Improved returns with less volatility** – Participants benefit from a multi-manager approach designed to improve the probability of long-term excess returns, plus forward-looking portfolio management.
- **Cost savings driven by global scale** – Our solution delivers additional scale and experience in negotiating fees with high conviction managers, resulting in significant cost savings.
- **Customization to meet client objectives** - Our platform's flexibility and expertise in designing, constructing and managing strategies better aligns with the client's preferences and constraints.
- **Enhanced operational efficiency** – Enhanced efficiency during manager change events, as well as access to our industry-leading transition management and proprietary implementation approach, helps to reduce ongoing costs—and also reduces the need for a lengthy participant notification process.

Exhibit 1: Higher risk-adjusted returns at lower cost

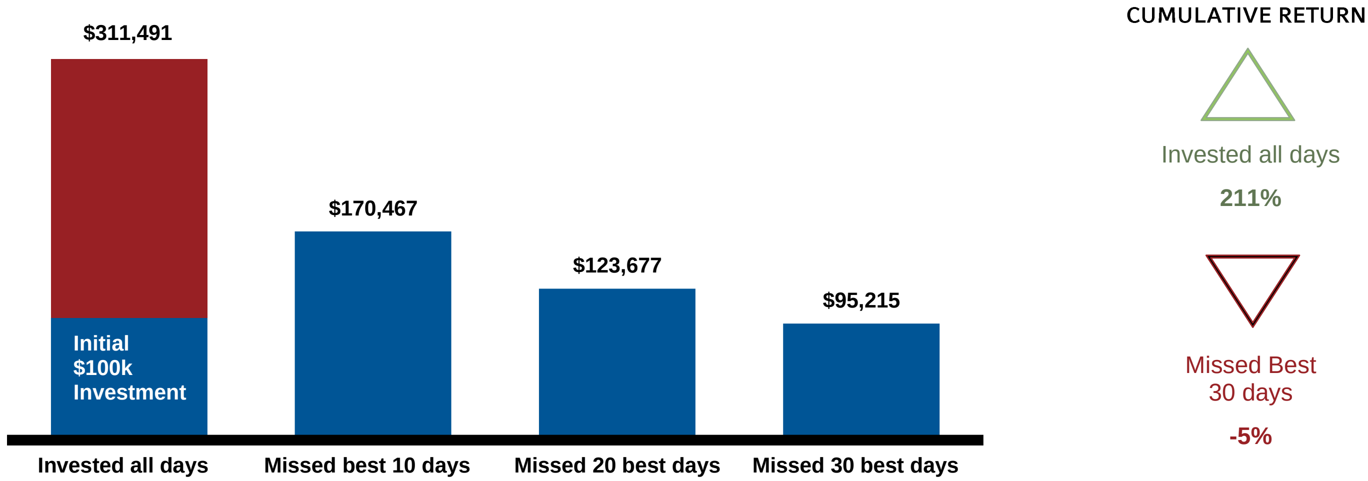
	RETURN ENHANCEMENT			RISK REDUCTION		LOWER COST
	Annualized 10 Year Absolute Return	Annualized 10 Year Excess Return	% Positive Rolling 1 Year Excess Return	Annualized 10 Year Tracking Error	Sector Deviation vs Russell 1000 Growth Index	Participant Fees
Proposed Active Large Cap Growth	15.9%	0.14%	64%	1.98%	+/- 3%	18 bps
Current Active Growth Fund	14.5%	-0.54%	45%	3.68%	+/- 19%	30 bps*
		0.7%+ higher excess return	19%+ more outperforming periods	1.7%+ lower tracking error	16% lower sector deviation	48% estimated cost reduction

Source: Russell Investments, eVestment Alliance. As of September 30, 2024. * Estimated fee

The power of reduced risk and lower volatility on participant outcomes

Exhibit 2: Difficulty of market timing

Impact of missing best days – 10 years ending December 31, 2023



Source: Morningstar. Returns based on S&P 500 Index, for 10-year period ending December 31, 2023. This hypothetical example is for illustration only and is not intended to reflect the return of any actual investment. Investments do not typically grow at an even rate of return and may experience negative growth. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

When fund performance is volatile, DC plan participants statistically tend to do precisely the wrong thing: They try to time the market. Studies consistently show that this results, more often than not in a buy high/sell low result. Participants tend to trade and lock in their losses. This also means participants are out of the market during the critical *bounce* opportunities. In other words, they miss some of the best days of market returns. Data shows that missing just the ten best days during the ten-year period ending on December 31, 2023 would have caused a participant to shed over 40% of their portfolio value.[1]

[1] Source: Morningstar. Returns based on S&P 500 Index for 10 year period ending December 31, 2023.

QUESTIONS?

Call Russell Investments at 800-426-8506
or visit russellinvestments.com

ABOUT RUSSELL INVESTMENTS

Russell Investments is a leading global investment solutions partner providing a wide range of investment capabilities to institutional investors, financial intermediaries, and individual investors around the world. Since 1936, Russell Investments has been building a legacy of continuous innovation to deliver exceptional value to clients, working every day to improve people's financial security. Headquartered in Seattle, Washington, Russell Investments has offices worldwide, including: Dubai, London, New York, Paris, Shanghai, Sydney, Tokyo, and Toronto.

IMPORTANT INFORMATION

Nothing contained in this material is intended to constitute legal, tax, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional. Case study provided for discussion purposes only. Individual client results will vary based on individual circumstances and market events. There is no guarantee that all clients will experience the same positive results.

This case study represents a unique situation faced by a global technology brand seeking a higher performing/reduced risk/lower cost multi-manager solution. Case studies are problem-solving stories. We select a situation that is indicative of problems clients in this category are facing. The recommendations described do not represent a standard strategy or set of recommendations made for all advisory clients with similar issues. Each client has unique requirements, challenges, and constraints, and our advisory solutions are tailored to each client's specific needs. Every client's situation, experience and needs are different, and Russell Investments does not imply that the solution herein is appropriate for any other client.

The case study provided is for illustrative purposes only and is meant to provide an example of a type of financial issue a client may have and our process and a methodology to address it. Individual client results will vary based on individual circumstances and market conditions. The results presented were based on a period of fluctuating marketing conditions and the underlying asset allocation, market criteria and assumptions, or the investment advice/strategy followed may have changed materially. There is no guarantee that all clients will experience the same results.

The information expressed herein represents the current, good faith views of the author(s) at the time of original publication and has not been updated. Any predictions, opinions, and other information contained in this material are subject to change continually, without notice.

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates Management, L.P., with a significant minority stake held by funds managed by Reverence Capital Partners, L.P. Certain of Russell Investments' employees and Hamilton Lane Advisors, LLC also hold minority, non-controlling, ownership stakes.

Frank Russell Company is the owner of the Russell trademarks contained in this material and all trademark rights related to the Russell trademarks, which the members of the Russell Investments group of companies are permitted to use under license from Frank Russell Company. The members of the Russell Investments group of companies are not affiliated in any manner with Frank Russell Company or any entity operating under the "FTSE RUSSELL" brand.

First used: April 2025

AI-30600-04-28